



# Department of Justice

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## **GUILTY VERDICTS IN MAJOR MORTGAGE FRAUD TRIAL**

### ***Ten Defendants Including Phillip Hill Guilty On Multiple Fraud Charges; Hill Taken into Custody Following Verdict***

Atlanta, GA - After an eight week trial, a federal jury today returned guilty verdicts against ten defendants charged with multiple counts in a mortgage fraud scheme that targeted the Atlanta metro housing and condo market from 2000 through part of 2003. The verdicts returned today included guilty verdicts on charges of loan fraud, wire and mail fraud, and money laundering.

United States Attorney David E. Nahmias said of the verdicts, "The monetary loss calculated to date is in excess of 41 million dollars but we expect it to be significantly higher when we conclude our work. More importantly, this monetary loss, as great as it is, does not fully capture the loss to the many neighborhoods and condominium communities that have been gutted of their value due to this one fraud scheme. These guilty verdicts condemn the corrupt actions of the key people who were responsible for this fraud scheme, from crooked attorneys and appraisers, to loan officers, to the man at the top, Phillip E. Hill. The verdicts in this case take us one step closer to repairing the corroded cornerstone of a large-scale corrupt housing market that has made the metro Atlanta area one of the most active mortgage fraud locations in the nation."

Rebecca A. Sparkman, Special Agent in Charge, Internal Revenue Service, Criminal Investigation, said of the case, "Mortgage fraud adds to the underground economy that erodes the integrity of our tax system and threatens the financial health of our communities. Mortgage fraud is a serious offense and the punishment must be as serious as the crime."

The ten defendants found guilty today of participating in this conspiracy include: MARCUS C. ALCINDOR, a/k/a "Christopher Alcindor," 42, of St. Lucia, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; BARBARA BROWN, 34, of Marietta, Georgia, convicted of conspiracy and two counts of wire fraud; FRED FARMER, 59, of Roswell, Georgia, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; PHILLIP E. HILL, 49, of Blounstown, Florida,

convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; CHRISTINE LAUDERMILL, 40, convicted of conspiracy, loan fraud, wire fraud, and money laundering; ROBERT POWERS, 45, of Cumming, Georgia, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; LESLIE RECTOR, 35, of Atlanta, Georgia, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; DAVID THOMAS, 46, of Baton Rouge, Louisiana, convicted of conspiracy, loan fraud, and money laundering; DEAN THOMAS, 42, of Atlanta, Georgia, convicted of conspiracy and money laundering; and DAVID VAN MERSBERGEN, 46, of Atlanta, Georgia, convicted of conspiracy, loan fraud, and money laundering.

In addition to the defendants found guilty today, several other individuals pleaded guilty to mortgage fraud charges related to the same scheme before trial. These defendants include: WILLIAM CHAVIS, 45, of Atlanta, Georgia; JEREMY DERCOLA, 29, of Douglasville, Georgia; MICHAEL FLAKE, 31, of Stone Mountain, Georgia; WESLEY GOLDEN, 57, of Atlanta, Georgia; CHRISTOPHER HALCOMB, 45, of Cumming, Georgia; WENDELL HIGGS, 42, of Suwanee, Georgia; CORTNEY JACKSON, 49, of Detroit, Michigan; WAYNE JENKINS, 49, of Atlanta, Georgia; RASHID MUHAMMAD, 36, of Syracuse, New York; JULIAN PEREZ, a/k/a "Tony Perez," 49, of Roswell, Georgia; BRANT PETREE, 23, of Marietta, Georgia; THEODORE TAGALAKIS, 36, of Atlanta, Georgia; and ANDREW WOLF, 45, of Alpharetta, Georgia.

CHERYL DENNY, 42, of St. Lucia, and JAMES MOSS, 49, of Roswell, Georgia, were acquitted in directed verdicts by the court before the jury began its deliberations.

The trial of two remaining defendants, RILEY GRAHAM, a/k/a "Riley Williams," 39, of Detroit, Michigan, and ANNETTE SPEAR, 50, of Union City, Georgia, is tentatively scheduled for April, 2007.

CHRISTOPHER BAKER, 40, whose last known address was Canada, and CARL BEST, 42, of New York City; are both fugitives and are being sought. Anyone with information on these defendants is asked to call IRS-Criminal Investigation.

According to Nahmias and the evidence at trial: PHILLIP E. HILL was the owner and operator of "We Build Atlanta, Inc.," "The Estate Firm, Inc.," "Estate Artistians of Georgia, Inc.," "Estates Atlanta, Inc.," and numerous other Georgia corporations. HILL controlled the affairs of each such corporation. HILL held himself out to be a real estate developer, and either individually or through one or more of the corporations he controlled, purchased, and sold numerous residential properties in the Atlanta area. HILL oversaw the conspiracy, loan fraud, wire and mail fraud, and money laundering activity related to mortgages obtained in the sale of over 50 homes and over 250 condominiums in eight Atlanta-area condominium complexes. These properties were all owned at one time

by one of the PHILLIP HILL entities. Each property was sold at an inflated price to a “straw purchaser” who applied for a mortgage loan based upon the inflated price. Such a fraudulent transaction is called a mortgage “flip.” The straw purchasers who participated in these mortgage flips were paid a kick-back out of the excess loan proceeds for the use of their name and credit. The victim-lenders granted the loans based upon numerous false representations and documents regarding the credit qualifications of the straw purchaser, as well as false representations that the straw purchaser had paid a down payment, would reside in the home, and would be responsible for the loan payment. In addition, the lenders were induced to make the loans based on fraudulently inflated appraisals. Some of the properties were “flipped” more than one time.

Evidence at trial showed that the primary leaders of the complex fraud scheme were PHILLIP HILL and LESLIE RECTOR, closely assisted by DAVID VAN MERSBERGEN. HILL alone received over \$14 million in profits from the scheme. PHILLIP HILL was taken into custody after the jury verdict of guilty.

The appraisers who created the fraudulent appraisals used in the scheme were JULIAN PEREZ, who pleaded guilty before trial; and FRED FARMER, and BARBARA BROWN, who were convicted in this trial. According to the evidence, appraisers were paid both their scheduled fees and received separate direct payments from HILL.

The loan officers, who provided the fraudulent loans to the victim lenders, included WAYNE JENKINS, THEODORE TAGALAKIS, BRANT PETREE, WENDELL HIGGS, MICHAEL FLAKE and WESLEY GOLDEN, all of whom pleaded guilty before trial. Loan officer ROBERT POWERS, as noted above, was convicted of conspiracy, mail and wire fraud, and money laundering by the jury today. Evidence at trial showed that the loan officers received excessive fees for processing the fraudulent loans.

HILL was convicted of paying kickbacks to “recruiters” who found “straw borrowers” for the scheme. The recruiters convicted at trial included CHRISTINE LAUDERMILL and DAVID and DEAN THOMAS, who all received hundreds of thousands of dollars in the scheme. WILLIAM CHAVIS and RASHID MUHAMMAD were also recruiters, who pleaded guilty before trial. According to the evidence, DAVID and DEAN THOMAS, and DAVID VAN MERSBERGEN also served as “straw borrowers” who received additional kickbacks for lending their credit to the scheme.

As part of the fraud scheme, two attorneys were previously convicted of mortgage fraud for submitting fraudulent documents, and at property closings, facilitating the distribution of the monies to the co-conspirators. Attorneys CHRISTOPHER HALCOMB, of Cumming, Georgia, and ANDREW WOLF, of Alpharetta, Georgia, both pleaded guilty to conspiracy to commit mortgage fraud.

According to evidence at trial, the losses in the fraud exceed \$41 million.

The defendants will be sentenced in July 2007 before United States District Court Judge Thomas W. Thrash, Jr.

The case was investigated by Special Agents of the Internal Revenue Service, Criminal Investigation.

Assistant United States Attorney Barbara Nelan and Special Assistant United States Attorney Richard Reed prosecuted this case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).